

The cyber security

gap

HOWDEN

Amid a rapidly changing and deteriorating risk landscape characterised by geopolitical turbulence, breakneck technological advance and faltering growth, UK businesses consistently cite cyber-attacks as top of their risk registers.

Against this backdrop, cyber security experts on the front line report a widening gap between the resilience of businesses with adequate security and the rest. However, the issue is clouded by a lack of definitive, data-driven research into this cyber security gap.

Many UK businesses are grappling with the following fundamental questions:

- 01** What are the costs of cyber-attacks and how do they vary by business segment?
- 02** How effective are cyber security measures in lowering the frequency and severity of attacks and therefore what's the return on investment?
- 03** Which steps should businesses take to boost cyber security given competing priorities and scarce resources?

To help answer these questions with fresh data, Howden commissioned YouGov to survey ~900 senior IT decision makers from across a representative sample of UK private sector businesses.

The findings shine a light on the state of UK cyber security and how to improve it. This report provides a snapshot of Howden's segmentation-based analysis of the survey data. It draws on our expertise in cyber security and insurance to pinpoint the most important considerations for UK businesses. We welcome your feedback



Costs

In the five years to September 2024, 52% of UK businesses suffered at least one cyber-attack with negative financial consequences. Quantifying only the single most expensive attack for each affected business, the cost in aggregate for the UK economy was ~£44bn.

The most common causes of cyber-attacks were compromised emails (20%) and data theft (18%), with the average cost of these attacks equating to £2.1m and £2m respectively.

Businesses with an annual revenue of over £100m were the most targeted group, with 74% of those surveyed having suffered a cyber-attack over the past five years. However, threat levels are elevated across all businesses, with half (49%) of SMEs with a revenue of £2m to £50m also experiencing a cyber-attack over the same period.

Data theft spikes among high turnover businesses. 39% of businesses with turnover of more than £100m reported suffering data theft compared to only 18% of all businesses. This speaks to the commercial sensitivity and value of data held by the largest companies.



Cyber security effectiveness

Basic cyber security measures are highly effective in reducing attack frequency. Over the period 2019-24 the combination of firewalls, backups and antivirus software reduced the frequency of attacks from 61% among non-users to 38% of users. For businesses with revenue of less than £10m, the frequency of attacks was roughly halved from 60% to 30%.

In addition, firewalls, backups and antivirus software reduce the cost of attacks. In combination these hygiene measures reduced the cost of attacks over 2019-24 from 6.5% of revenue (~£8m on average) for non-users to 0.6% of revenue (£2m on average) for UK businesses with the protection in place.

Despite the growing threat posed by cyber-attacks, take up of even the most basic cyber security measures remains low, highlighting a critical cyber security knowledge gap. At present, 61% of businesses are actively using antivirus software and only 55% are employing network firewalls. Organisations cite a number of obstacles to improving their cyber security, including cost (26%), insufficient knowledge (26%) and lack of internal IT resource (22%).

However, by implementing cyber security basics, Howden estimates that UK businesses could reduce cyber-attack costs by up to ~75% (equivalent to a total of ~£30bn from 2019-24), with the introduction of these measures saving the average UK business ~£3.5m over ten years, equating to a return on investment of 25%.

This represents the amount of attack costs saved as a proportion of security spend and does not capture the considerable intangible impacts such as a damaged brand, eroded customer trust, diminished competitive advantage and even difficulty in hiring and retaining talent.



Next steps

Cyber-attacks threaten the viability of UK businesses that lack adequate protection. For this cohort of companies, the most important next step is to prioritise cyber security as key action item for senior management. They must form and support a plan to improve cyber security focused on who will take responsibility, the budget and sources of expertise (using third parties such as insurance brokers and/or cyber security consultants as necessary). Most importantly, management must act on the principle that some protection is better than none; budgetary constraints need not hinder progress.

In aid of greater cyber security greater take up, UK businesses say that new policy measures such as tax relief on cyber investment (33%) will be the most effective way of improving cyber resilience within businesses, followed by free access to cyber expertise and resources (32%), compulsory minimum cyber standards (31%) and compulsory cyber insurance (26%).

The insurance industry must therefore work alongside the government to raise awareness of the growing severity and frequency of cyber-attacks and the return on investment that can be achieved with the implementation of cyber security measures. Brokers and carriers have a vital role to play in not only supporting businesses when losses occur but also in boosting resilience by advising on security and offering incident response services. Howden is leading the charge in all these areas.

52%

Suffered cyber-attack in 2019-24

Basic

Basic cyber security measures are highly effective: they reduce frequency of attacks by almost half and severity by £6m on average

Low

Low uptake of cyber security (e.g. only two-thirds of >£100m revenue businesses actively using antivirus software)

~75%

UK businesses can reduce cyber-attack costs by ~75% (~£30bn over 2019-24) by implementing cyber security basics widely

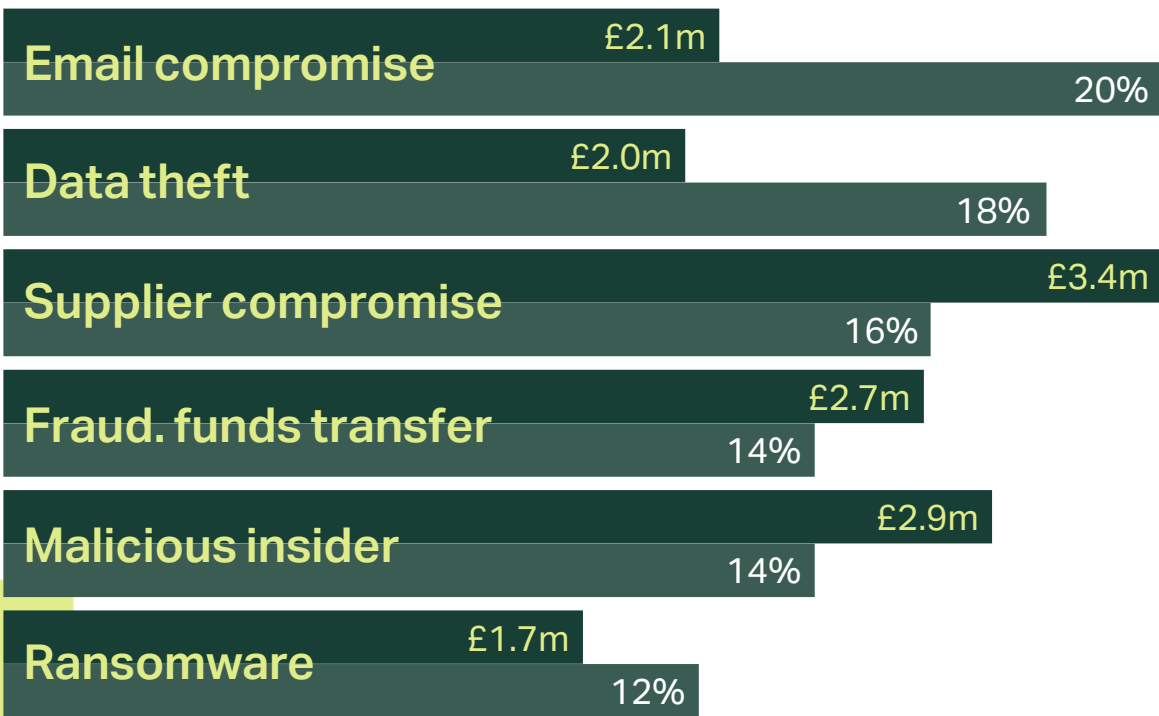
Protection

Against this backdrop, Howden provides organisations with financial protection against, and critical first responses to, cyber threats

Half of UK businesses suffered at least one cyber-attack in the past five years; the financial impact was ~£44bn

(based on the single most expensive attack for each business only)

Proportion of UK businesses to have suffered a cyber-attack and average cost per attack by type, 2019-24

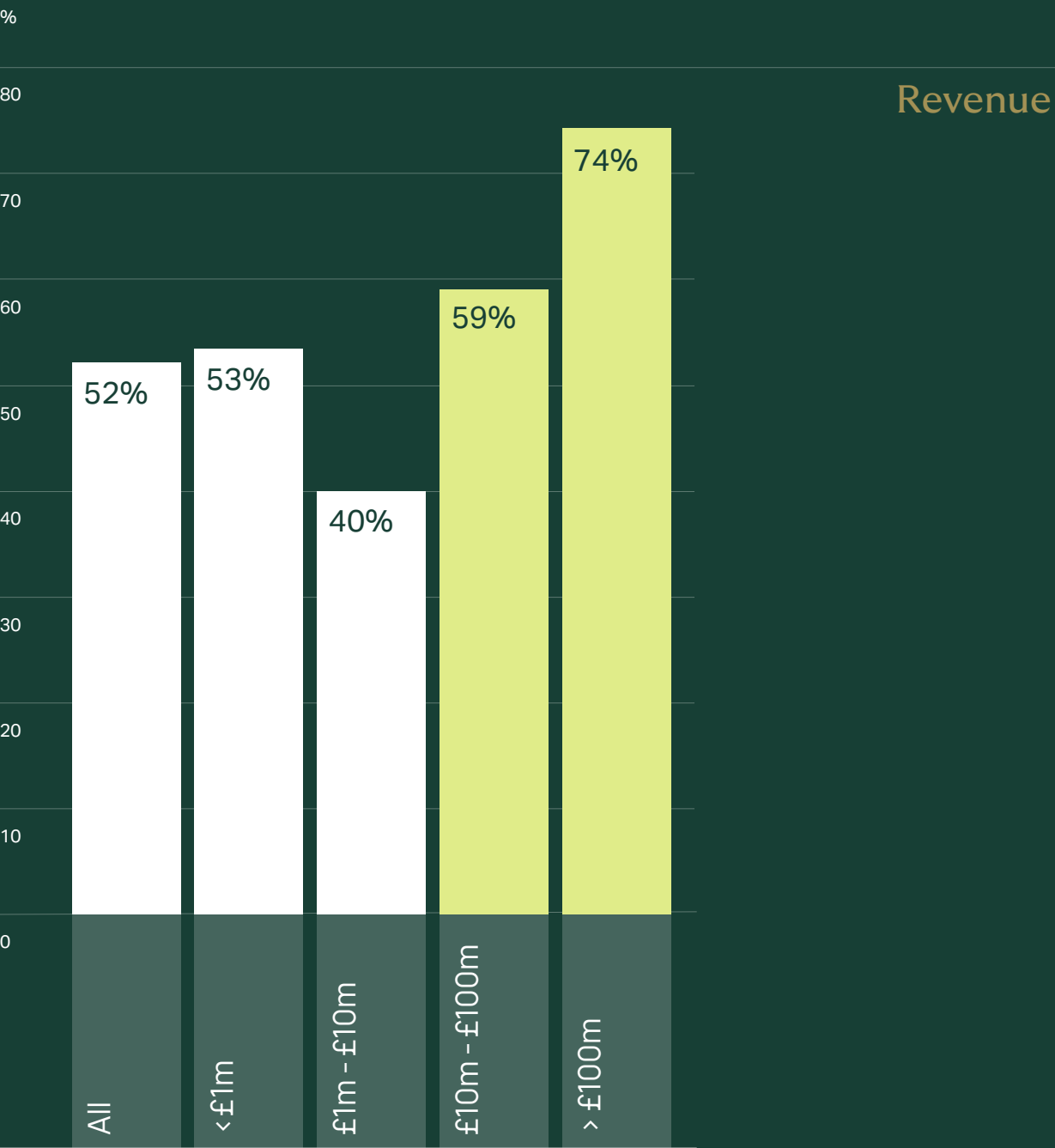


Estimated aggregate UK private sector cyber-attack costs 2019-24

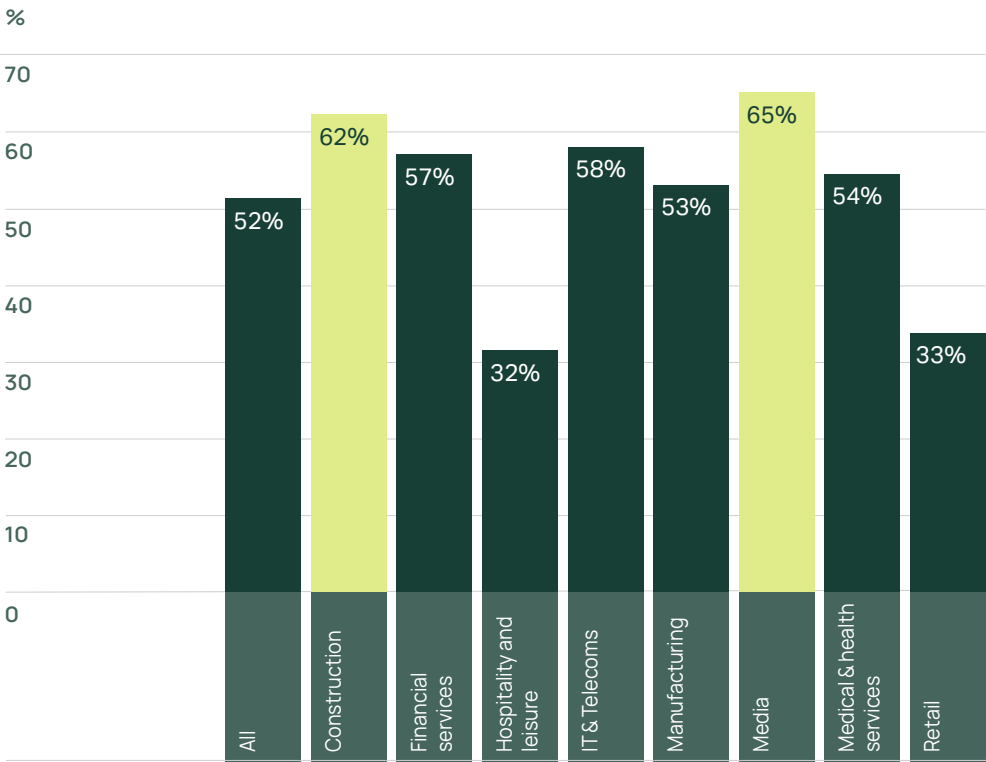
Frequency		Severity		Revenue		Cost (estimate)
52%	×	1.9%	×	£4,480bn	=	~£44bn
Percentage of businesses attacked		Average cost as percentage of revenue		UK private sector revenue		

High turnover businesses most frequently attacked

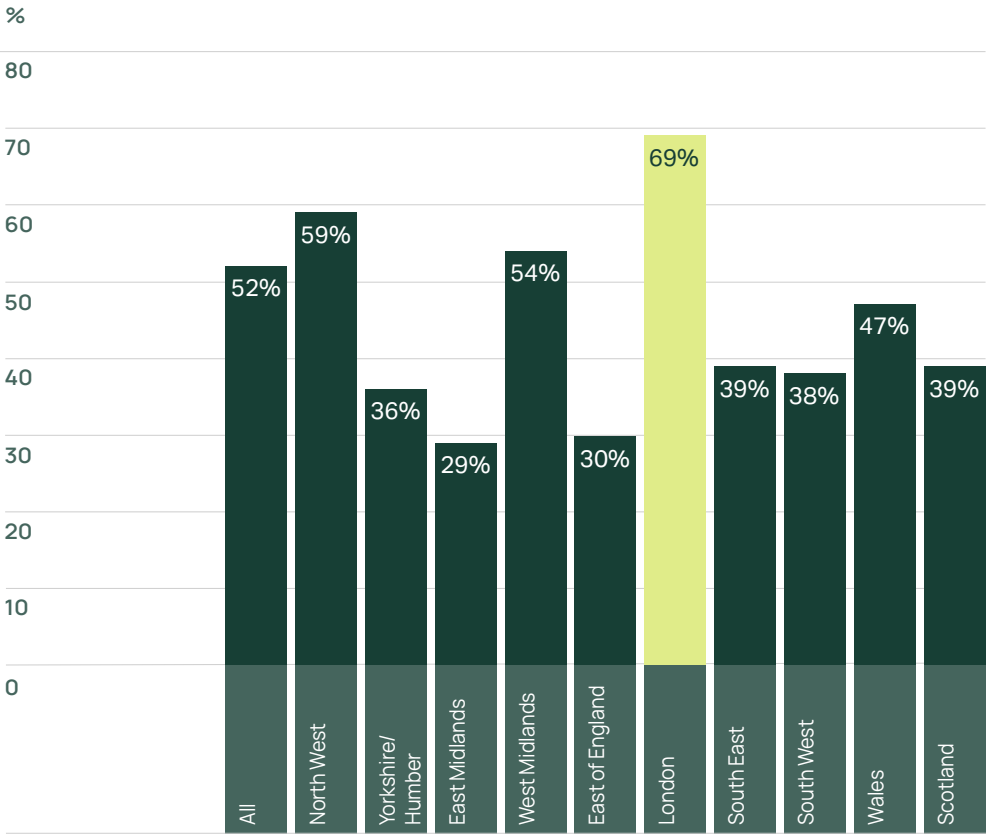
■ Top 5



Sector



Location

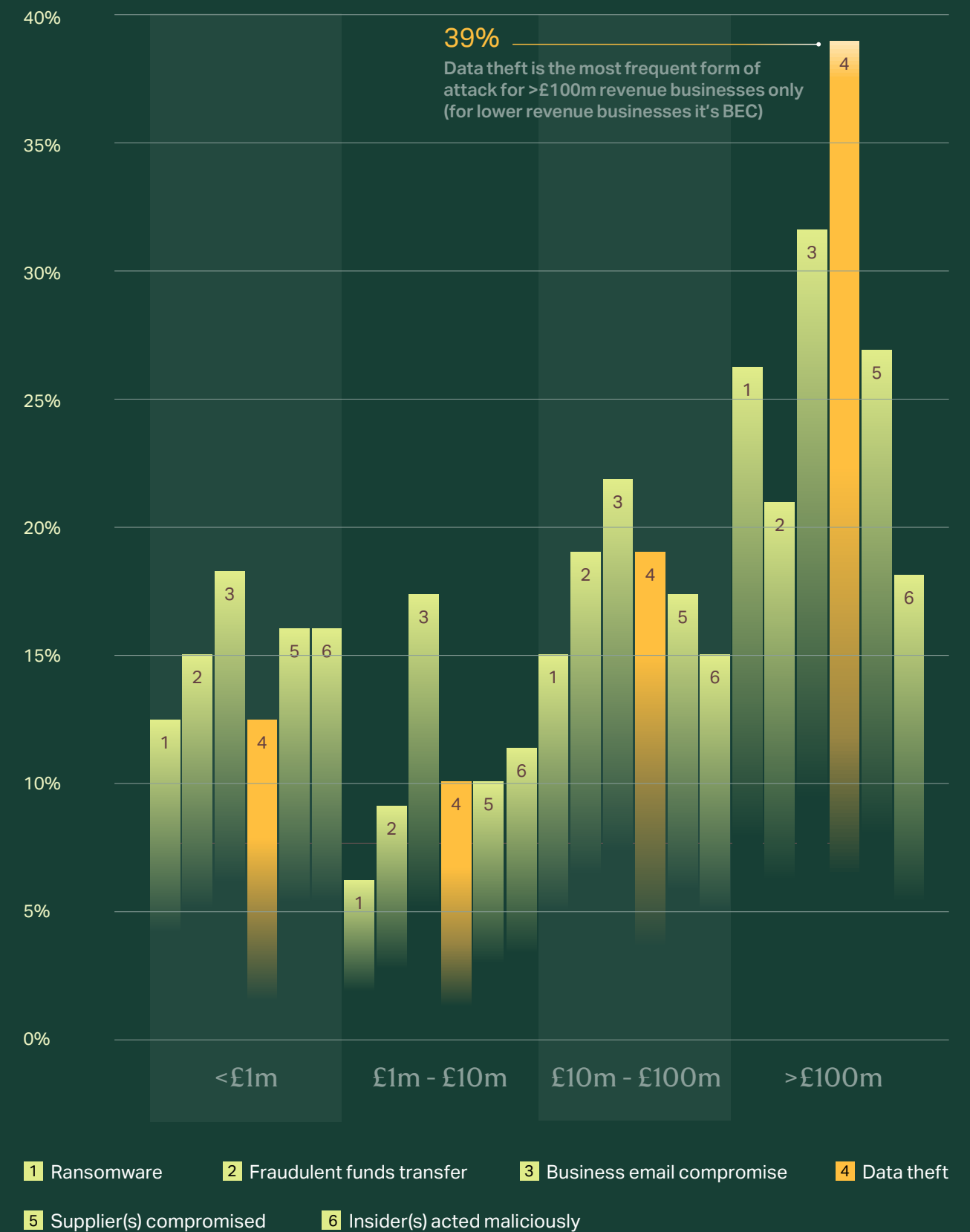


Data theft spikes among high turnover businesses

Proportion of businesses to have suffered data theft by revenue band

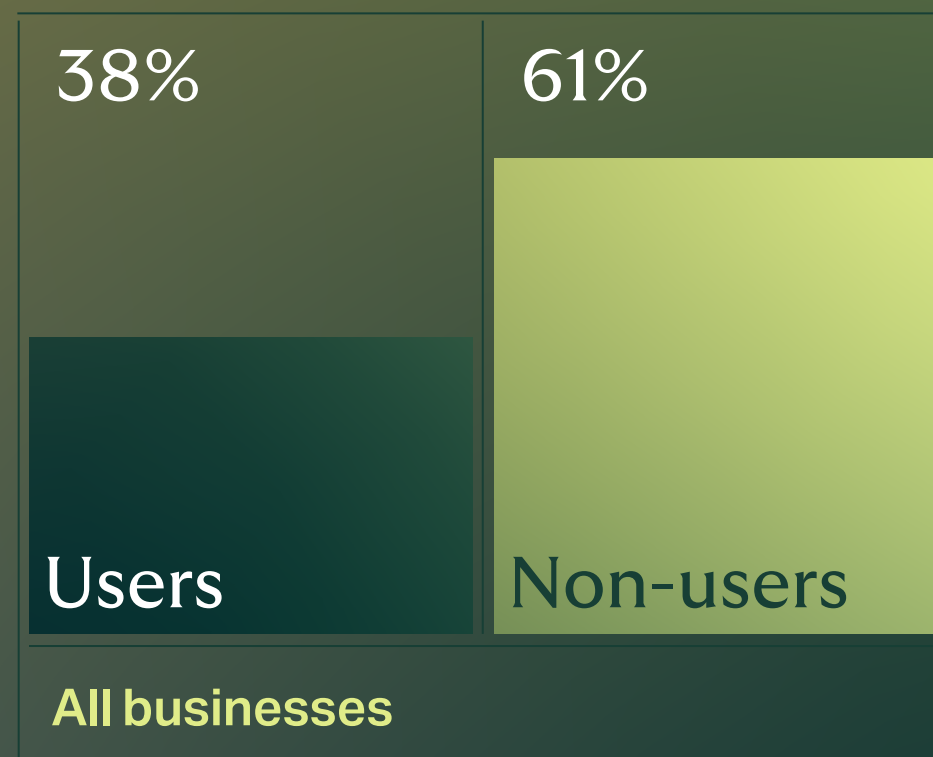


Proportion of UK businesses to have suffered a cyber-attack by revenue by type of attack, 2019-24



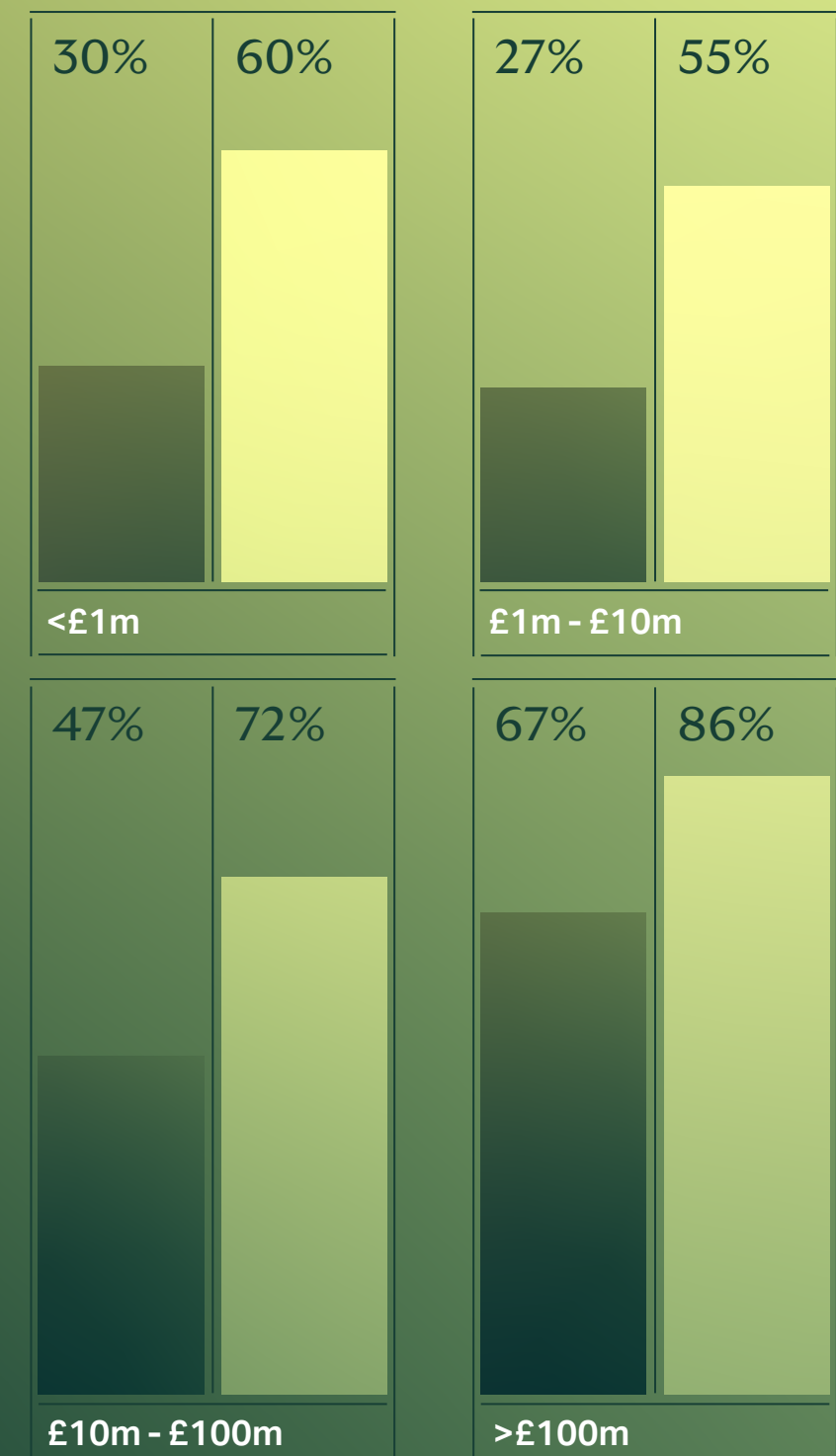
Basic cyber security measures are highly effective; they reduce the frequency of attacks by almost half across all businesses

(more at lower revenue bands)



■ Users
■ Non-users

Proportion of UK businesses to have suffered a cyber-attack by revenue band by users vs non-users of cyber security basics*, 2019-24

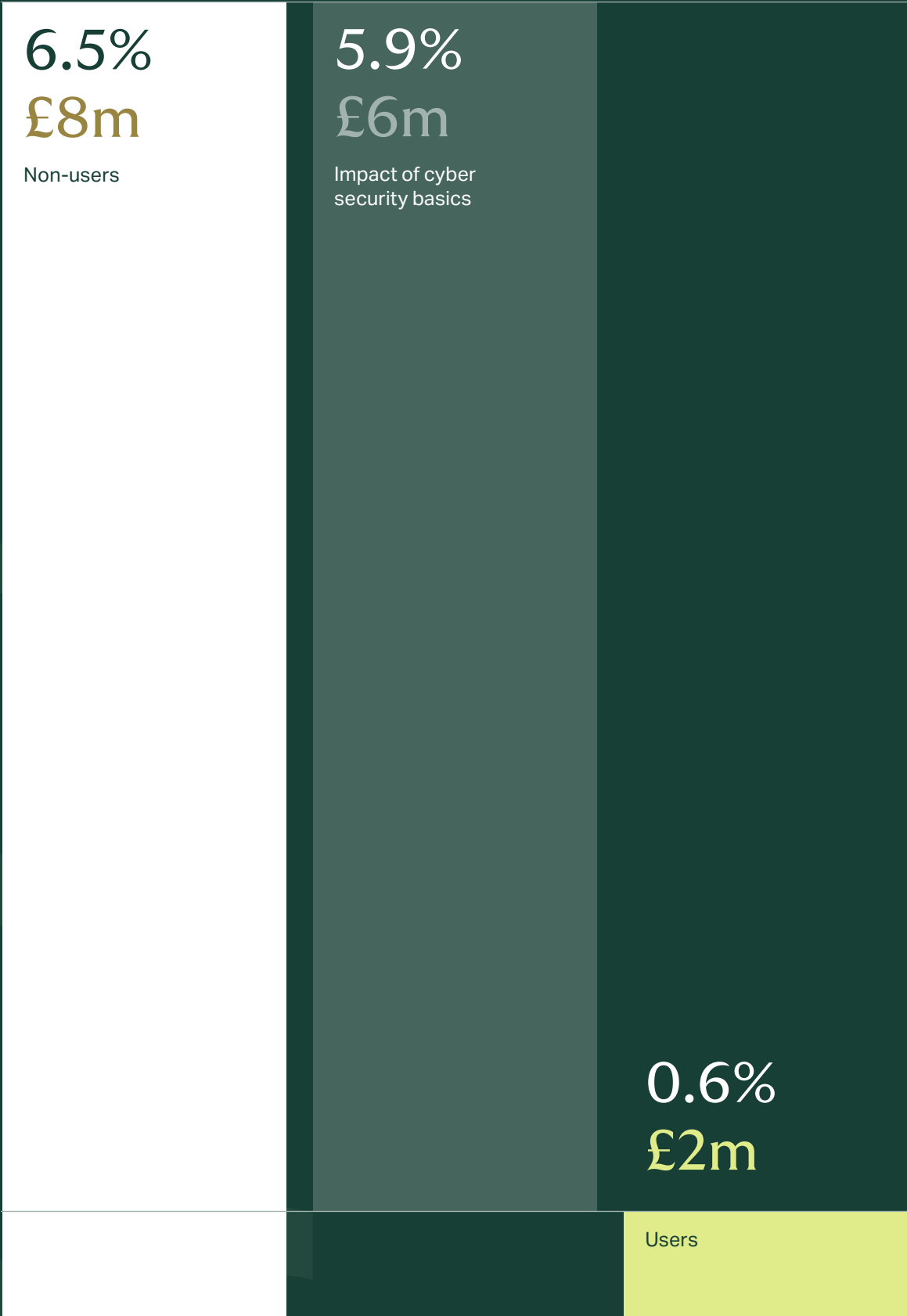


* Cyber security basics = firewalls, backups and antivirus software

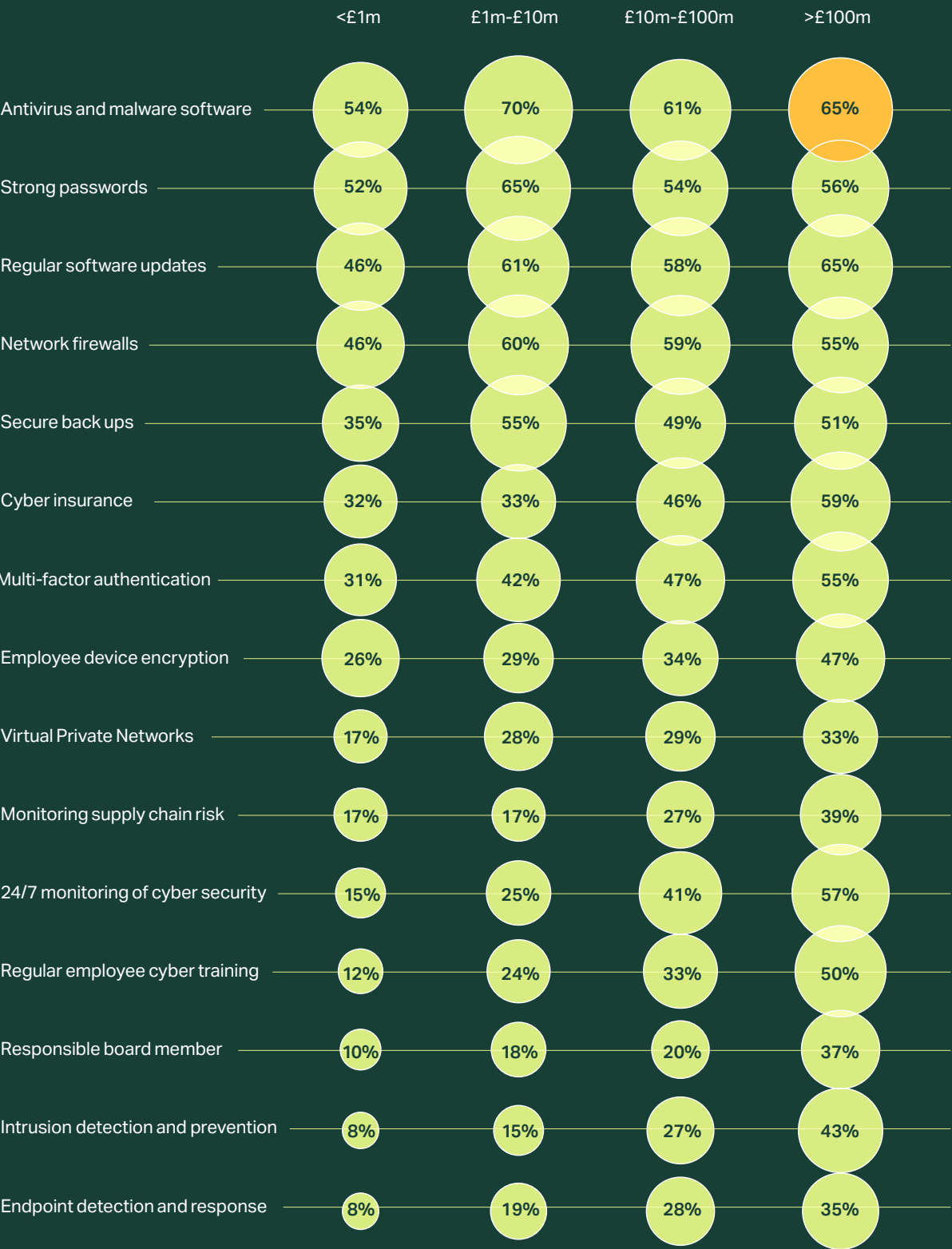
Basic cyber security measures reduce the severity of cyber-attacks by approximately 6% of revenue or £6m on average

Average cost of cyber-attack as a proportion of revenue and estimated value, £m, users vs non-users of cyber security basics*.

* Cyber security basics = firewalls, backups and antivirus software



Usage of cyber security measures by business revenue band



Uptake of cyber security is low with, for example, only two-thirds of >£100m revenue businesses actively using antivirus software

Impact of implementing cyber security *basics on UK business cyber-attack costs 2019-24, £bn

*Cyber security basics = firewalls, backups and antivirus software

£44bn

Current cost

£11bn

Frequency impact

Totals do not equal £44bn due to rounding

£22bn

Severity impact

£10bn

Potential cost

Howden estimates that UK businesses can reduce cyber-attack costs by ~75% or ~£30bn over 2019-24 by implementing cyber security basics widely

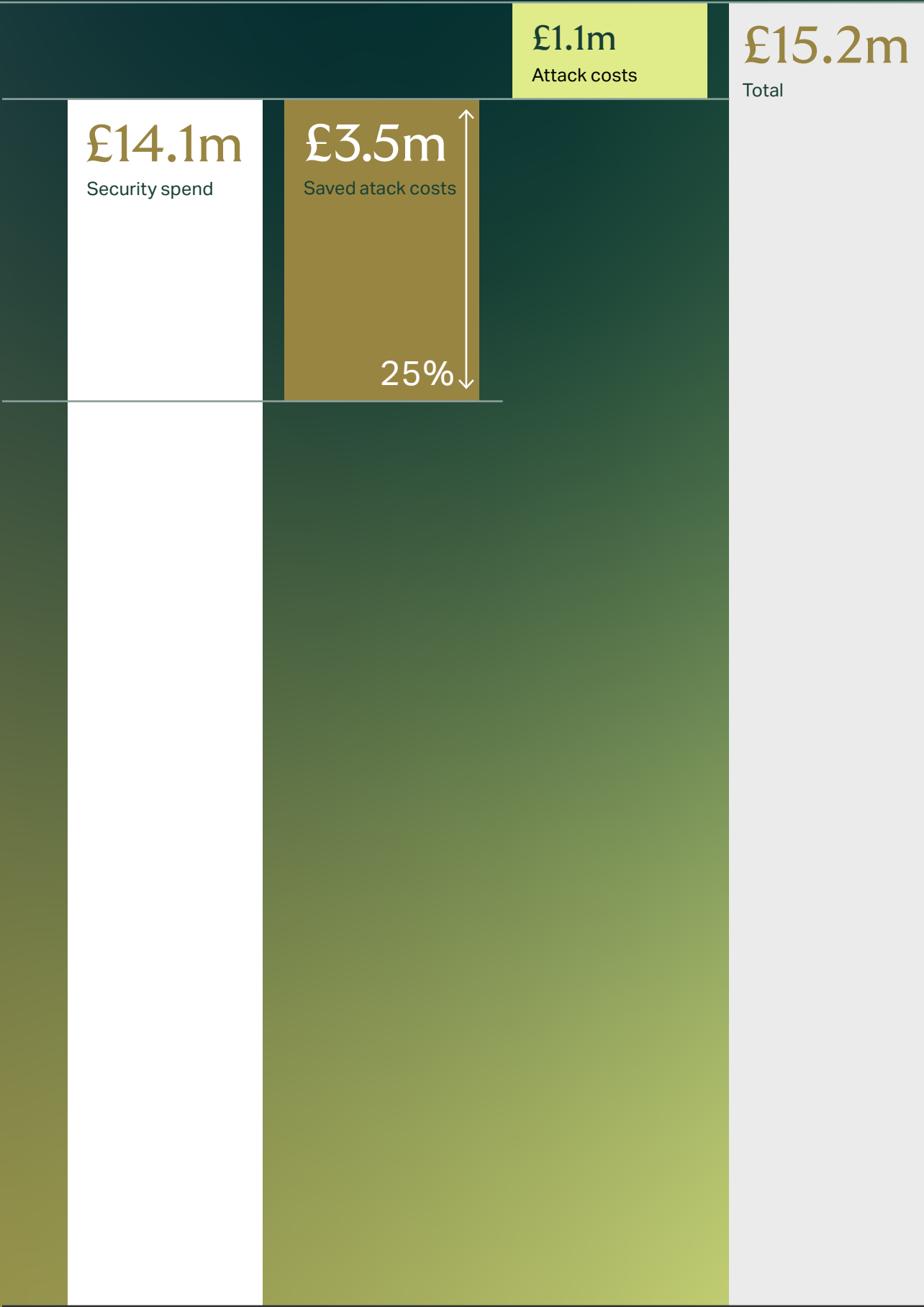
Estimated total cyber costs and saved attack costs for users of cyber security basics, £m, ten-year period.

For an average business (£150m revenue) the savings from cyber security basics are ~£3.5m* over 10 years.

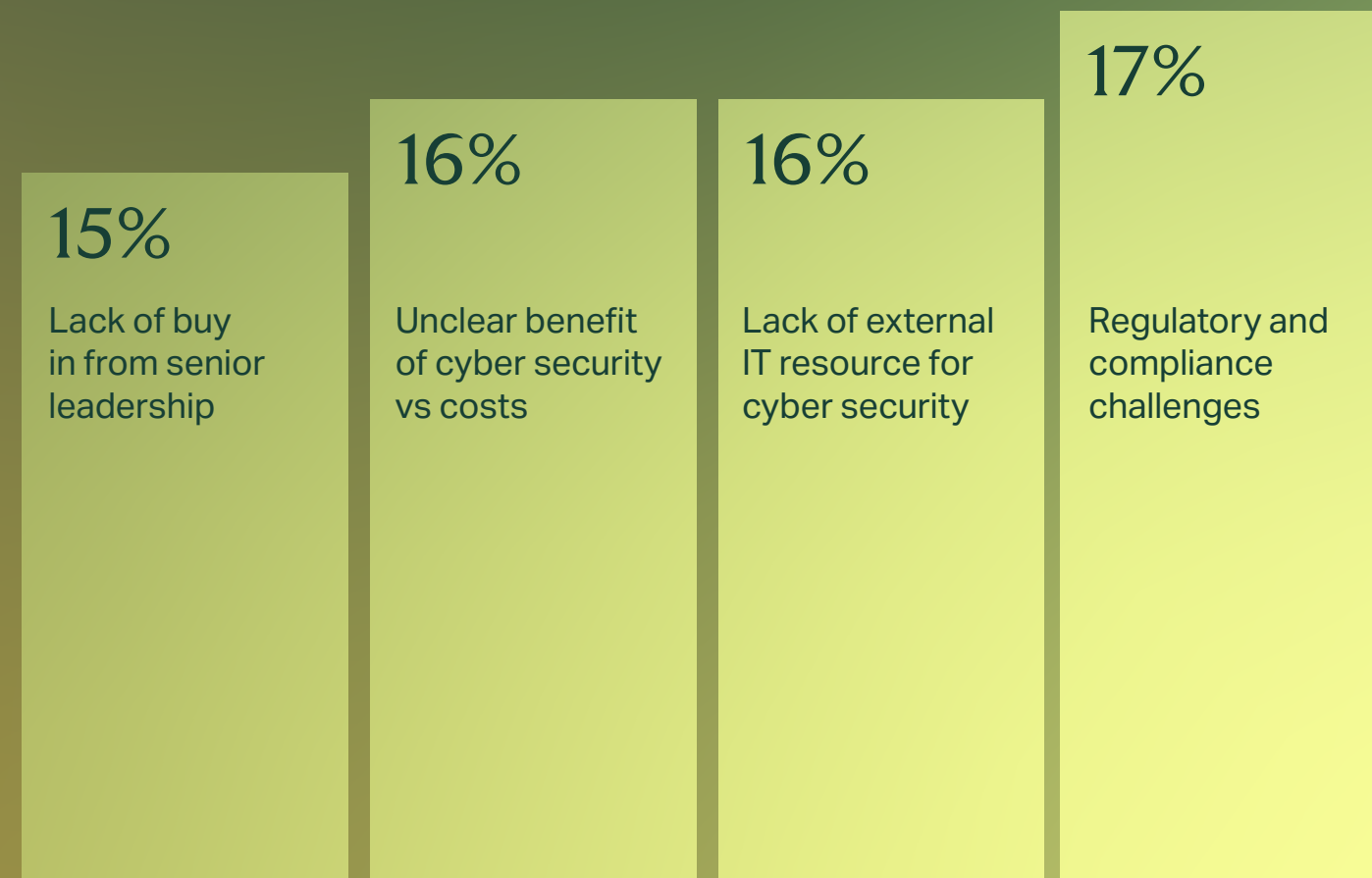
*(25% return on investment)

- The average UK business in the survey has revenues of £150m per year
- For a business of this size, the savings from implementing cyber security basics amount to £3.5m over ten years
- Cyber security basics are firewalls, antivirus software and backups
- The saving represents a return on investment of 25%, which is saved attack costs as a proportion of security spend

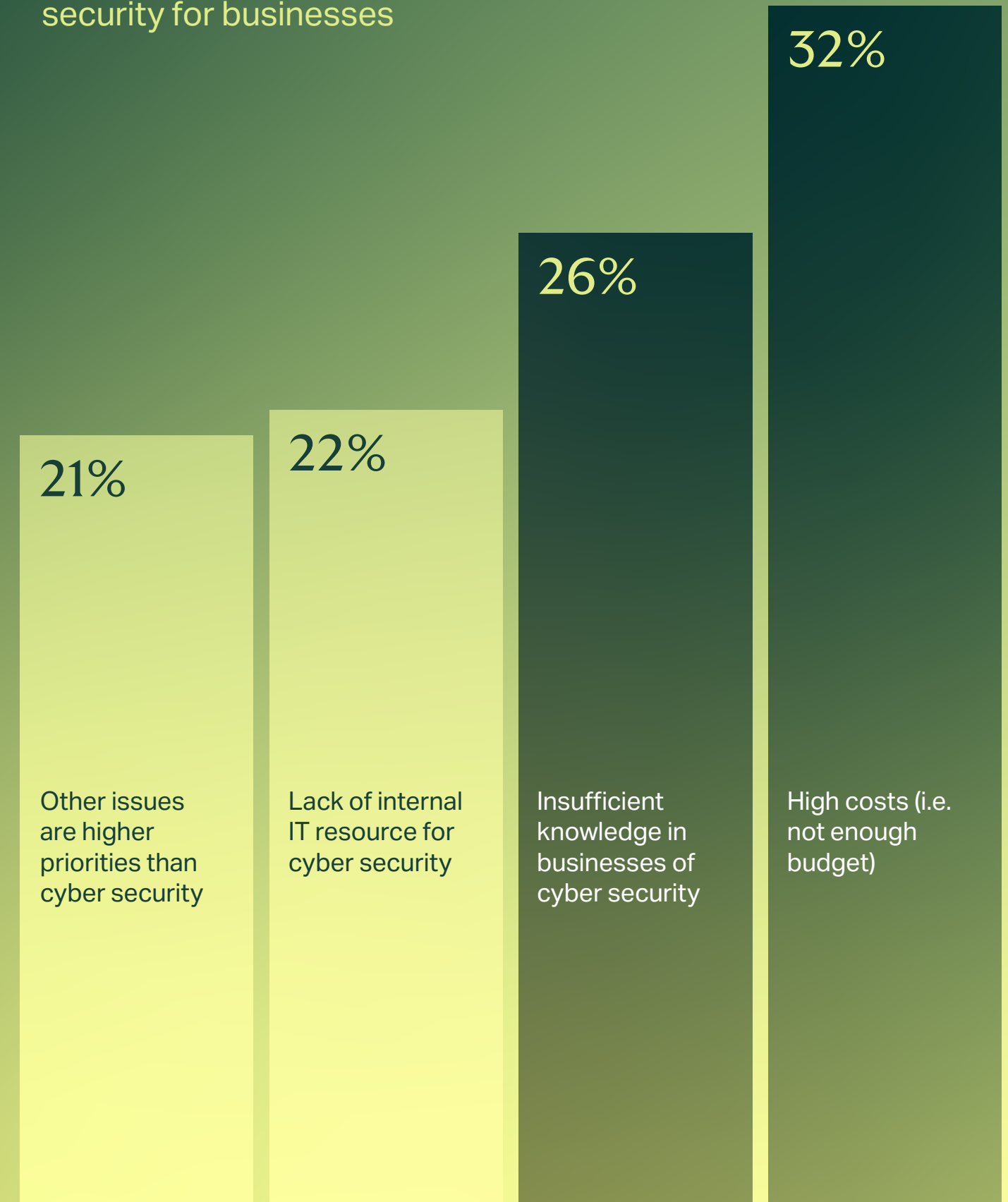
- The main driver of savings is the reduced severity of attacks, which is lowered from 6.5% of revenue per attack without security to 0.6% when protected
- In addition, the frequency of attacks is reduced from approximately 12% of businesses per year to 8% with protection



The insurance industry and government have a vital role in boosting cyber security uptake by, for example, explaining the return on investment

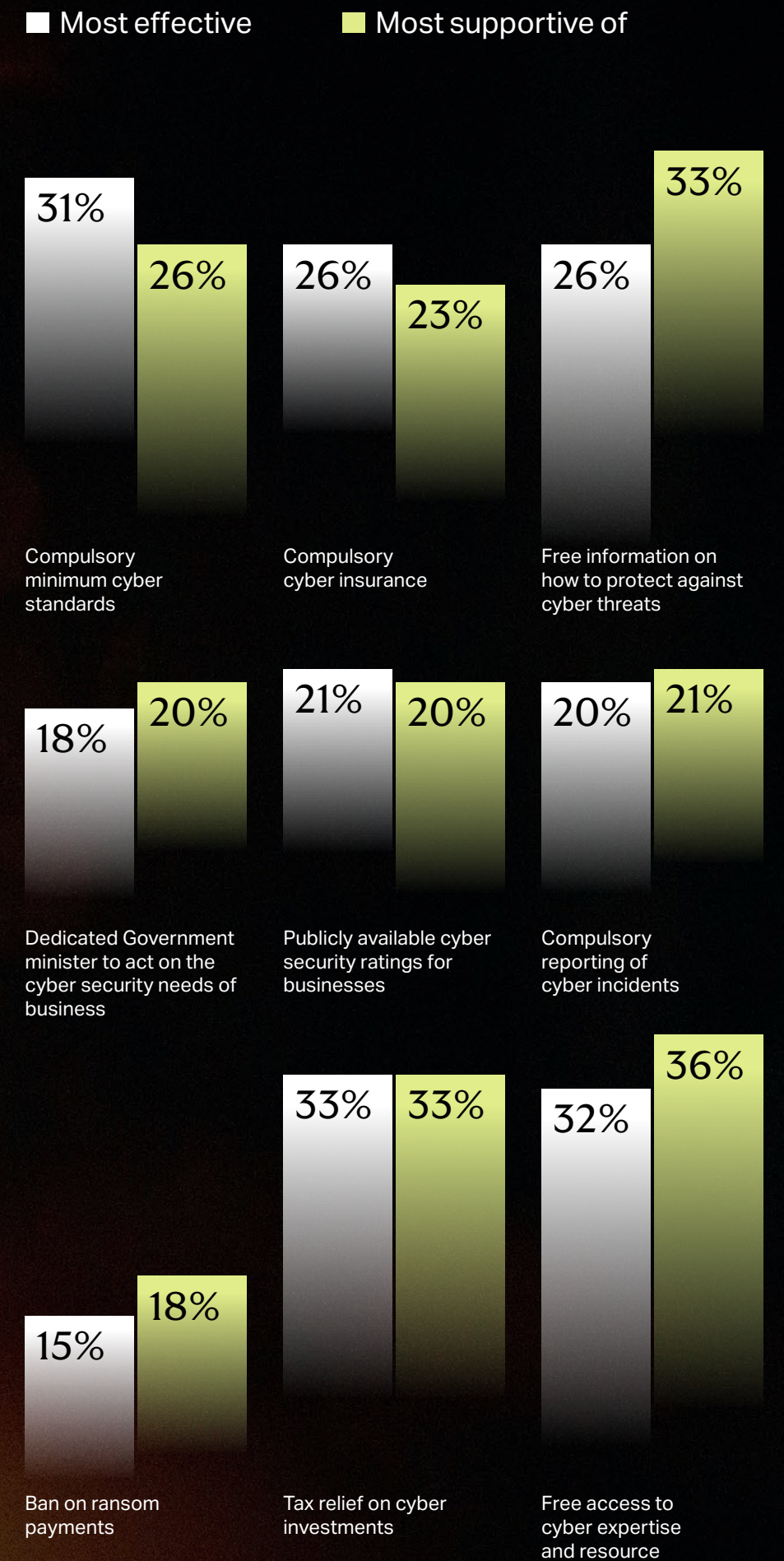


Main barriers to improving cyber security for businesses



Businesses' views towards potential new Government cyber security policies

UK businesses consider tax relief on cyber security investments to be the most effective policy lever, closely followed by access to expertise.



Safeguard your business. Contact Howden.

At Howden, we provide organisations with financial protection and the critical first response support required to investigate, control, mitigate and remove cyber security threats.

We are cyber insurance experts who support you in your cyber journey by ensuring that you have the knowledge and tools to achieve business resilience, leveraging our strong insurer partnerships to negotiate the most appropriate deals on your behalf.

To understand cyber security and insurance, including the costs, benefits and options most appropriate for your business, contact:



Sarah Neild
Head of Cyber Retail, UK
+44 (0)7521 775 995
sarah.neild@howdengroup.com

To discuss Howden's research into the cyber threat landscape and insurance market, contact:



Peter Evans
Research Director
+44 (0)7443 377 340
peter.evans@howdengroup.com



Julian Alovise
Head of Research
+44 (0)7593 576 024
julian.alovise@howdengroup.com

Survey respondent breakdown by sector, revenue and headcount

What?
4-6 minute online survey

Who?
905 I.T. decision makers for UK businesses
(excluding micro businesses)

Where?
UK

When?
9 - 22 September 2024

Sector	%
<div><div></div>IT & telecoms</div>	24
<div><div></div>Manufacturing</div>	13
<div><div></div>Construction</div>	12
<div><div></div>Financial services</div>	10
<div><div></div>Other</div>	9
<div><div></div>Media</div>	7
<div><div></div>Medical & health services</div>	5
<div><div></div>Retail</div>	4
<div><div></div>Hospitality and leisure</div>	4
<div><div></div>Education</div>	3
<div><div></div>Accountancy</div>	2
<div><div></div>Transportation & distribution</div>	2
<div><div></div>Legal</div>	2

Revenue	%
<div><div></div>Don't know</div>	12
<div><div></div>>£500m</div>	10
<div><div></div>£100m - £500m</div>	8
<div><div></div>£50m - £99.9m</div>	5
<div><div></div>£35m - £49.9m</div>	2
<div><div></div>£20m - £34.9m</div>	4
<div><div></div>£10m - £19.9m</div>	6
<div><div></div>£5m - £9.9m</div>	8
<div><div></div>£3m - £4.9m</div>	5
<div><div></div>£1m - £2.9m</div>	19
<div><div></div>>£1m</div>	21
<div><div></div>First year of trading</div>	1

Headcount	%
<div><div></div>>1,000</div>	11
<div><div></div>500 -990</div>	8
<div><div></div>250 - 499</div>	8
<div><div></div>100 - 249</div>	15
<div><div></div><100</div>	58



One Creechurch Place, London, EC3A 5AF

+44 (0)20 7623 3806

+44 (0)20 7623 3807

info@howdengroup.com

howdenbroking.com

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